




# **2000 Report to the Legislature Water Rights Purchasing Pilot Project**

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## **Progress Report and Recommendations**

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## **Water Rights Purchasing Pilot Project Progress Report and Recommendations**

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## **BACKGROUND**

In its 1999 session, the Washington State Legislature passed a bill to appropriate \$1 million to fund a pilot program enabling the Washington Department of Ecology (Ecology) to purchase or lease water rights. (Substitute House Bill 1165, Chapter 379, Section 301, Laws of 1999; copy attached.) However, the appropriation was not authorized until the 2000 session.

The 2000 appropriation bill stated the funding was specifically to be used to purchase or lease, "...water rights under the trust water rights program under chapter 90.42 RCW, for the purpose of improving stream and river flows in fish critical basins." Such basins are defined in the bill as those, "...with current or proposed listings of salmon or steelhead under the federal endangered species...and where low flows have been identified as a limiting factor for salmon recovery." (Engrossed House Bill 2487, Chapter 1, Section 1016, Laws of 2000; copy attached.)

The appropriation bill also included specific criteria for prioritizing water rights which might be acquired under this program. These criteria state that, in evaluating proposals for acquisition, consideration should be given to proposals which:

- Provide the greatest benefit for restoring and protecting fish, and
- Include benefits in addition to protecting fish critical streams and rivers.
- Include funds from other sources;
- Indicate a broad level of support among interested parties;
- Require the lowest administrative costs to implement; and
- Require the lowest overall cost within the context of the local marketplace.

The appropriation bill also included a proviso directing that up to \$500,000 of the total appropriation would go to purchase or leases in the Methow water resource inventory area from willing sellers or lessors. Ecology has administered the program following the criteria specified in the appropriation bill. This report provides information regarding Ecology's implementation of the pilot program and recommendations for its continuation.

## **ACQUISITION STRATEGY**

Ecology initially focused on acquiring water rights in the Methow and Dungeness basins. We worked with the Washington Water Trust, a non-profit group, to identify willing sellers or lessors in these basins. We also contacted other non-profit groups, as well as state and federal agencies, to let them know we would collaborate on water right purchases or leases. The partnership strategy is working very well, although most of the opportunities we have found for acquiring water have been in basins other than the Methow and the Dungeness basins.

## **OUTREACH**

Ecology implemented a wide range of outreach strategies to raise interest in the pilot water buying program. We developed a Focus Sheet describing the program (a copy of the Focus Sheet is attached; it is also available on the internet at <http://www.ecy.wa.gov/biblio/0011003.html>). We have discussed the program with irrigator associations, non-profit groups, watershed planning groups, federal agencies, and other state agencies. We sent direct mailings to water rights holders on tributaries in the key basins, and have held workshops to explain the program to the public. Each method has generated some interest in the program, but none of the methods has been so obviously successful as to stand out as an ideal way of increasing water leases or purchases.

## **BASIN-SPECIFIC ACCOMPLISHMENTS**

**Walla Walla Basin** – Ecology has a purchase agreement for 8.11 cubic feet per second (cfs) of water from an irrigator on the Walla Walla River. This amounts to 1,710 acre feet of water per year (an "acre foot" is a quantity of water that would cover an acre to a depth of one foot).

This agreement is being implemented in two phases; Ecology bought 3.43 cfs this biennium at a price of \$405,000 and will buy the remaining 4.68 cfs next biennium for an additional \$619,200. This phased approach allowed funds to be available for purchases and leases in other watersheds also affected by low flows and fish listings. Ecology is also negotiating another lease, and we have contracted for an appraisal for a potential purchase in the basin.

**Methow Basin** – Ecology has signed one lease for 190 gallons per minute (gpm) of irrigation water in the Methow basin. The Washington State Department of Fish and Wildlife (WDFW) is also temporarily placing two of its irrigation water rights into the state trust water program. Ecology collaborated with Washington Water Trust to secure these additions to instream flows.

In an effort to spend \$500,000 on leases in the Methow, as required by the Legislative budget proviso, we talked to the Methow Basin Planning Unit in May, 2000, and conducted workshops in the basin in November, 2000. We have also used direct mailings, advertised in local papers, and have worked through local contacts to introduce the water buying/leasing program. We believe that several leases will probably be signed as a result of the recent workshops. However, Methow residents appear, generally, to have very little interest in selling water rights at this time.

**Yakima Basin** – Ecology is partnering with the U.S. Bureau of Reclamation (Reclamation) and WDFW to acquire water rights in the Yakima basin. We completed a joint purchase of water and land on Taneum Creek in December 2000. Ecology will contribute \$100,000 to this transaction.

We are also working on several other joint purchases and leases in the Yakima Basin. Because of the success of Reclamation's established land and water acquisition program, we believe that Ecology will have many opportunities to partner with Reclamation on acquisitions throughout the Yakima basin.

**Dungeness Basin** – Ecology and the Washington Water Trust gave a presentation to Dungeness irrigators in January, 2000. However, participants did not express much interest in selling or leasing water at that time. Ecology also advertised the program in local papers. We are working with WDFW to coordinate water-buying opportunities with land purchases made in the basin by WDFW. We anticipate we may sign some leases for the 2001 irrigation season.

### **PRICING**

Water prices for leases and purchases vary considerably across the state. Leases range from \$23 per acre foot to a maximum price of about \$70 per acre foot (based on data from Ecology and Reclamation transactions). Ecology paid \$600 per acre foot for water in the Walla Walla Basin. (See spreadsheet below).

Crop values, irrigation assessments, geographic location, and changing land use are factors in the variability of both lease and purchase prices. Before entering into a transaction, we check the offering price against comparable area transactions (if available), Oregon water prices, and information from agrarian economists at Washington State University. Ecology will also use appraisals on a case by case basis to determine land and water values.

We expect the price variability for lease and purchase transactions to lessen as Washington's water market develops. People who are interested in the water market will be able to evaluate prices on an increasing number of transactions. Increased pricing knowledge, and an understanding of the factors that shape water prices, will lead to a more purely market-driven pricing structure. Of course, there will still be pricing differences that reflect varying economic factors throughout the state.

Price Variation and Other Information on Purchasing and Leasing Water							
Basin	Stream	Species	cfs	Price	Partner	Type	01-03 Biennium
Methow	Methow R.	steelhead, spring chinook	0.43	\$10,000	WWT <sup>1</sup>	paid 3-yr lease	\$5,000
	Methow R.	steelhead, spring chinook	TBD <sup>2</sup>	\$0	WWT/WDFW	donated lease	
	Beaver Cr.	steelhead, spring chinook	<u>0.13</u>	<u>\$0</u>	WWT/WDFW	donated lease	
Subtotal			0.56	\$10,000			
Price Variation and Other Information on Purchasing and Leasing Water, cont.							
Basin	Stream	Species	cfs	Price	Partner	Type	01-03 Biennium
Yakima	Taneum Cr.	steelhead, bull trout	TBD <sup>3</sup>	\$100,000	USBR <sup>4</sup>	purchase	
	Wenas Cr.	steelhead, bull trout	TBD	<u>\$100,000</u>	USBR	purchase	
Subtotal:			---	\$200,000			
Walla Walla	Walla Walla	_____	8.11	<u>\$405,000</u>	NA <sup>5</sup>	purchase	\$619,200
Subtotal:				\$405,000			
TOTALS:				\$615,000			\$624,000
Note: The Wenas Creek purchase was still being negotiated at the time this table was prepared. If negotiations fail, unspent funds will be applied to the Walla Walla purchase.							

<sup>1</sup> Washington Water Trust

<sup>2</sup> To Be Determined

<sup>3</sup> To Be Determined

<sup>4</sup> US Bureau of Reclamation

<sup>5</sup> Not Applicable

## **CONCLUSIONS AND RECOMMENDATIONS**

Buying and leasing water to increase instream flows is a viable strategy in Washington state. There are enough willing sellers and lessors to make a positive difference in low-flow streams. The best use of public funds to increase instream flows appears to be to purchase water in smaller tributary streams for permanent low flow improvement. (A table showing prospective purchases for the next biennium is attached.)

Leases provide a good means for introducing water users to the program, but will not provide a long-term solution to low flows and the recovery of endangered fish species. Most leases are short-term, and the water right holder has the choice to renew the lease or, instead, to again use the water for an out of stream purpose.

Consequently, for example, if a large economic investment were to be made in stream rehabilitation and fish recovery efforts in a tributary where we had a lease, if the lease was not renewed then fish recovery would be jeopardized and public funds would possibly have been wasted. Therefore, the program for buying or leasing water rights should be modified in several ways to be a viable long-term instream flow solution. The modifications we believe are necessary include:

- The flexibility to buy land, when practical, to obtain the needed water;
- An increase in the level of funding so that it is available to improve more stream flows, more quickly; and
- Establishment of a program preference for purchases or long-term leases.

## **FOR FURTHER INFORMATION**

If you have questions or would like further information about the water rights purchase and leasing program, please contact Peggy Clifford either by telephone at (360) 407-7262 or by electronic mail at: [pcli461@ecy.wa.gov](mailto:pcli461@ecy.wa.gov).

<b>Potential Water Purchases or Leases for 2001-2003 Biennium</b>					
Basin	Stream	Project	Price	Partner	Type
<b>Methow</b>	Libby Cr.	landowner lease	< \$8,000	N/A	paid lease
	Frasier Cr.	landowner lease	< \$4,000	WWT	paid lease
	Methow R.	continue lease	\$5,000	WWT	paid lease
	various	landowner lease	<u>\$50,000</u>	N/A	paid leases
Subtotal			\$67,000		
<b>Okanogan</b>	Salmon Cr.	lease from irrig.district	<u>\$40,000</u>	WWT/Colville	paid lease
Subtotal			<u>\$40,000</u>		
<b>Yakima</b>	Yakima R.	Union Gap purchases	\$300,000	USBR	purchases
	Naches R.	Wapatox Power Plant	\$300,000	USBR	purchase
	Wenas Cr.	purchases	\$300,000	USBR	purchase
	Teanaway R.	various purchases	<u>\$200,000</u>	USBR	purchase
Subtotal			\$1,100,000		
<b>Walla Walla</b>	Walla Walla	Phase 2 purchase	\$619,200	N/A	purchase
	Garrison Cr.	water purchase	< \$80,000	N/A	purchase
	Tucannon R.	landowner lease	< \$90,000	WWT	15 year lease
	various	water leases	<u>\$300,000</u>	N/A	leases
Subtotal			\$1,089,200		
<b>Dungeness</b>	Dungeness R.	purchases/leases	<u>\$200,000</u>	WDFW	purchase or lease
			\$200,000		
<b>Other West Side</b>	various	purchases/leases	\$500,000	various	purchase or lease
<b>Total</b>			<b>\$2,996,200</b>		